Monthly Market Commentary

April 2020

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"If the virus can be contained, we expect economic restrictions to be lifted and for the U.S. and Europe to begin recovering shortly thereafter"

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March Market Update

At the start of 2020, the macroeconomic environment looked primed for a modest acceleration. Private sector business sentiment had improved and developed economies' labour markets were proving resilient. But just as 2019's headwinds were beginning to dissipate, the outbreak of COVID19 pushed the global economy into a sharp downturn. As lock down measures took effect, first in East Asia and then eventually around the globe, economic activity took a steep decline, with the speed and depth of the 'sudden economic stop' being unprecedented. Three months later, we are in the grip of a worldwide pandemic, a global recession is assumed for 2020, stocks are in a bear market, and we have a fiscal and monetary response that was unimaginable just a few weeks ago.

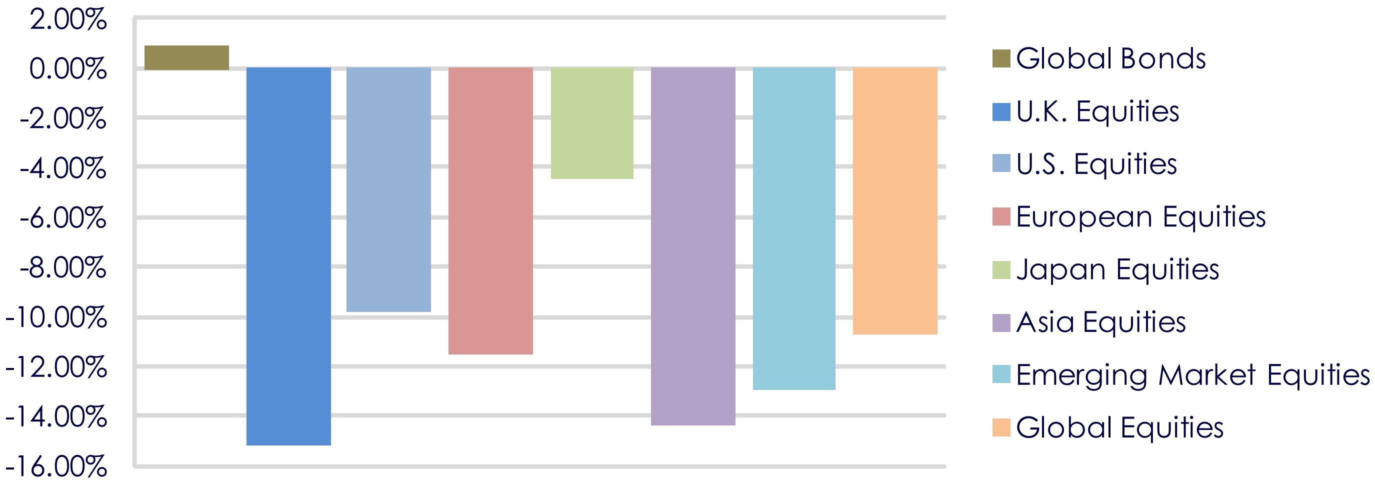
Government-mandated lock downs and quarantines have caused global equities to drop at a record pace, with the MSCI All Country World Index finishing Q1 2020 down 21%. The energy sector was the worst performer of all asset classes as the oil price dropped by more than 50% to around $25 per barrel. At the same time developed world government bonds have risen to historic highs. In response to the developing crisis, policymakers around the world have responded more extensively and aggressively than in any previous crisis. Central banks rushed to provide accommodation and liquidity to their respective economies by slashing interest rates (to or near zero) and in some countries introducing or re-introducing quantitative easing (QE) policy. Government legislators in the U.S., Europe, Australia and

Canada complemented central bank actions with measures ranging from direct spending, income relief and tax cuts to loan guarantees and grants.

In the history of financial markets, there has never been a quarter like Q1 2020 and the severe measures taken by governments across the world will ensure a global recession in Q2 2020. Encouragingly however, China seems to be a reassuring example of an economy bouncing back from government-enforced stagnation.

Whilst there is considerable uncertainty regarding the possibility of a second round of coronavirus infections, exposing equities to further sell-offs in the short-term, the 2020 recession will eventually launch a new economic cycle. However, if the virus can be effectively contained in the short-term, we expect restrictions to economic activity to begin to be lifted later in Q2 2020 and for the U.S. and Europe to begin recovering shortly thereafter. Thus, over time the economy and markets will recover from this extreme shock and the forthcoming Q2 2020 recession will eventually give way to a new economic expansion.

Discrete Monthly Performance as at 31/03/2020



All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 31/03/2020

	1 Year %	3 Years %	5 Years %	Volatility %2
Global Bonds	9.70	12.18	36.62	9.56
U.K. Equities	-18.45	-12.19	2.89	12.69
U.S. Equities	-2.83	15.02	60.76	12.52
European Equities	-8.59	-3.60	16.32	12.17
Japan Equities	-1.94	3.76	31.01	11.57
Asia Equities	-14.05	-7.25	19.79	14.52
Emerging Market Equities	-13.50	-3.98	17.55	15.65
Global Equities	-5.83	6.77	40.45	11.78

Data source FE Analytics 31/03/2020. Indices used: Global Bonds: Boomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.